

25 January 1974

MEMORANDUM FOR: Chief, Program Group

SUBJECT: Recommendations for Improving
DDO Management of Property

1. This memorandum summarizes the current DDO property management process and recommends seven changes to improve property utilization and management. Two of the recommendations concern cognizant material. The other recommendations concern more general property management problems. Six of the recommendations require action outside the DDO by some other office or directorate in order to be implemented.

2. The Office of Logistics is currently working on a series of alternate property management and budget systems to replace the current Agency PRA-PPA system. It is likely that much of the current Agency system will change but I do not anticipate the changes to significantly impact on the recommendations in this memorandum.

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Property in Use

I/ From the Office of Finance Type II Financial Property Accounts of April 1973. These records show total value of property but do not identify the type or number of items.

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5. The Type II Financial Property Accountability System (FPA), which used to require considerable detail on property, has been grossly simplified. Each year in April, Type II FPA Accounts (all Field Stations, Headquarters components, and specialized accounts) submit to the Office of Finance a single figure of the total value of property on hand valued at \$200 or more per item or items under control (cameras, weapons, etc.). There is no listing of items, no reconciliation of change from the previous report and no means of knowing what property is in use or no longer required. In short, the Type II FPA yearly report is used to meet a Federal legal requirement that Government agencies maintain financial accountability of property; it is not a useful DDO management tool. However, our field and Headquarters units maintain property record cards which are subject to regular Agency audit and are the basis for preparing the FPA Report. The IG Audit Staff can report on the value of property through its annual audits which would seem to meet the legal requirements and eliminate the need for a separate report by unit.

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Recommendation No. 1:

The DDO should advise appropriate Agency management that the Type II FPA yearly report is of no value to the DDO and suggest that the Agency study the feasibility of obtaining the needed property information to meet legal requirements from the Audit Staff.

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no cut
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7. Of the [redacted] property on the DDO books an undetermined amount is not in use and may be surplus. It is interesting to note that an OTS survey of its equipment in [redacted] showed that of 3,600 items on which there

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Recommendation No. 2:

The DDO Plans Staff develop information on property management efficiency within the DDO through use of the annual audit system.

25X1 8. We are unable to identify major items of property held in a station which may be no longer in use but needed by another station. Recently a station purchased a TV camera at a cost of about [] for use in a special operation. When the operation is concluded will the camera be put in a closet or turned in? What happens if another requirement develops which can use the current TV camera instead of purchasing a new camera?

Recommendation No. 3:

The DDO Plans Staff with the Office of Logistics should study ways to designate key items of equipment of a unique or costly nature and maintain a record of issue which will permit judgments concerning redeployment.

9. The Office of Communications has a computer supported Equipment Usage Reporting System which lists the active, pending and inactive agent communications systems. Their management program makes it possible for them to list those communication systems which have been carried as "pending" for more than three to six months. If this "pending" category (currently about 21 percent of all systems) tends to grow, or if systems are carried in "pending" for more than six months, OC may want to consider having the requirement revalidated. This would tend to free-up systems which are currently held by stations for contingency purposes.

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25X1 10. The Office of Technical Services has a computer supported equipment inventory and locator system [redacted]. This system does not now show whether the equipment issued to a station is in use or not. To overcome this problem and to determine how well equipment meets requirements, OTS last January began a survey of all stations and the results published in May 1973 showed that 36 percent of the OTS cognizant items were not in use. Approximately three fifths of the items not in use were being held for contingency purposes. The remaining two fifths not in use probably can be returned to OTS regional field units for refurbishing, re-issue, or disposal. The contingency category appears to mean the items are used less often than monthly.

Recommendation No. 4:

The DDO should request OTS advice on the need to maintain a 20 percent equipment contingency level in the stations and identify those items in the contingency category which should be returned to OTS [redacted] because of needs in other areas, high cost, or susceptibility to rapid deterioration.

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Property Planning

11. Each year the DDO budgets funds for the purchase of new material, usually on the basis of what was purchased last year unless some new or changed requirements are known. Some of the property requirements are met by purchases made by the field stations while the majority are met through requisitions upon the Office of Logistics which may either fill the requisition by issue from stock or purchase on the open market.

25X1 (In FY 1974 the DDO plans to make direct purchases [redacted]
25X1 [redacted] property and to requisition^{2/} through OL [redacted]
25X1 million in property.) Within the DDO between [redacted]
of the property budget goes to support overseas field stations
and operations. The total DDO property budget divided between
expendable supplies and equipment as presented in the FY 1975
Office Estimates is:

2/ The technical process is that the DDO components advise the Office of the Comptroller how much of the components' funds will be used to draw property from OL. Comptroller's Office then allots to each component Property Requisitioning Authority (PRA) equivalent to the funds and allots to OL the actual funds as Property Procurement Authority (PRA).

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12. The property planning for each component was reviewed and appears adequate. Division [] has the most comprehensive and long-range system which permits the responsible logistics personnel to plan procurement and inventory needs. EA Division has a good system for property planning which identifies by station the major property requirements. This information remains in the Division. The planning includes identification of surpluses as well as shortages, replacements and new requirements. Division management decides whether to transfer property from one station to another, purchase locally or requisition from OL. In East Asia Division [] does most of the property planning.

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13. Each year the DDO is required to advise OL of the types of material it will require so that OL may determine whether requirements can be met from stock or will necessitate purchase action and also plan lead time. The DDO has provided OL with requested information through the Office Estimates Procurement Plan but information in this form does not appear very useful to OL. OL planning requirements call for property estimates at the time of the preparation of Office Estimates in August of each year. These estimates are prepared by the B&F Staffs in the operating components. The information requested by OL is limited and the instructions permit broad lumping of requirements with only total dollar levels shown.

Recommendation No. 5:

The DDO Plans Staff with the Office of Logistics should develop a systematic process for providing necessary component property planning information to OL.

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Cognizant Material

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Each year OTS and OC budget for cognizant equipment to be used by the DDO. In the case of OC, the DDO by component provides a list of its requirements which are then costed by OC and validated by the DDO Operations Staff. A different system has been employed by OTS which surveys the DDO components and then estimates the volume of requirements and material needs. The DDO has assigned to the Plans Staff the responsibility to "assemble and review, in phase with the Agency program cycle, Directorate requirements for OTS [redacted]

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[redacted] The Plans Staff has also been assigned similar responsibility for [redacted] equipment requirements.^{2/} The Plans Staff has not yet developed procedures for assembling and reviewing Directorate requirements for OTS equipment but it is assumed the procedures will be similar to those currently in use for OC equipment.

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15. The DDO has assigned responsibility for managing the use of cognizant material, validating requirements and approving operations to the operating divisions. At this time the divisions may presume that as long as they have approved operations the cognizant material is available. Since both OC and OTS budget for cognizant material based upon component requirements there is a limit to the amount that can be drawn by the DDO in total. However, there is no restriction on the amount any single component can draw thus, one component may, in theory, use a major share or even the entire OTS or OC cognizant material budget. [redacted]

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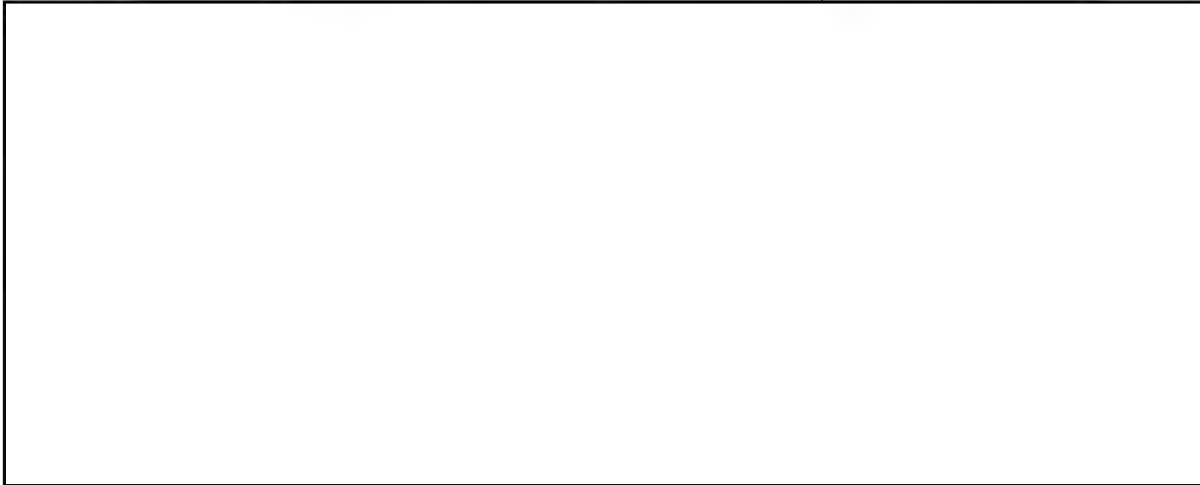
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Recommendation No. 7:

The Operations Staff establish procedures with OTS and OC which provide for timely and adequate information being provided to the Operations Staff by OTS and OC on equipment in short supply.

16. The DDO requires that the Operations Staff collate and analyze Operating Divisions' experience with cognizant material, including the annual report on usage of this equipment, and prepare recommendations for DDO consideration. The Plans Staff is required to evaluate operational and intelligence results achieved through operations using cognizant material taking into account the cost of the material and prepare recommendations for DDO consideration. Provided recommendations 6 and 7, above, are approved there appears to be adequate instruction on the management of cognizant material by DDO components. Management effectiveness should be determined through the review and evaluation process. Therefore, I see no need to recommend further accounting or management controls on cognizant material at this time.

17. Some officers have expressed concern because the operating components do not have an allotment for cognizant material, do not charge to operations which use cognizant material the cost of the material via the Agency accounting system, and do not have a systematic Directorate wide method for showing cost by objective and relating this cost to approved plans. These are some examples of actions and problems relating to cognizant material to justify some concern and prompt the view that a better control system is required.

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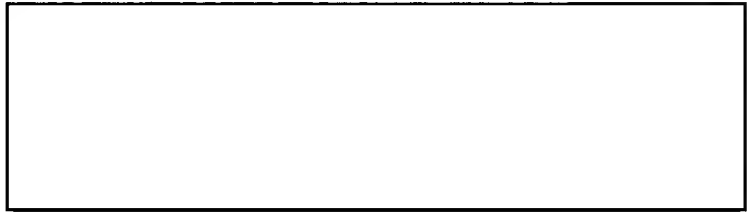
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The current instructions from the DDO, when fully implemented, can relate costs to objectives and approved plans. Both OTS and OC have agreed to provide the DDO data on the usage of cognizant material by component. It depends on how well the current instructions are followed as to whether additional controls are needed.

18. If future experience indicates an allotment and costing system is necessary for the DDO components then a "cognizant material allotment" similar to "unfunded PRA" can be given the components with OC and OTS retaining budget responsibility. Sub-object classes for OC and OTS cognizant material should be established with obligations assigned to the sub-object class by FAN. At the end of the year the computer can delete the cognizant material sub-object classes from the totals obligations to reflect actual obligations. Since FANs are coded to objectives the usage of cognizant material by objective can be tracked on a regular basis. Of course the procedure for entering the obligation to the FAN will have to be worked out to keep the paperwork by the cognizant office and the DDO component to a minimum. This system requires fewer administrative changes than would the allotment of Property Requisitioning Authority (PRA) to the components, a process which might ultimately lead to the components budgeting for cognizant material.

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